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Yugoslavia, Rumania, Hungary  
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# The Nazi Drive to the East—Yugoslavia, Rumania, Hungary

BY STOYAN PRIBICHEVICH

*with the aid of the Research Staff of the Foreign Policy Association*

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THE Munich accord of September 29 regarding cession of the Sudetenland to Germany raises the question of what will be Germany's next objective in its drive to the east—Yugoslavia, Rumania or Hungary. These three countries, with an area of 246,000 square miles, are predominantly agrarian; out of their total population of 42 million, nearly 30 million are peasants. Together with Bulgaria and Greece, they form the region known as *Seudostrum*. Still mainly at the stage of pre-capitalism, it is valuable to Germany both as a source of foodstuffs and raw materials<sup>1</sup> and as a natural market for German industrial goods. Since Hitler's rise to power in 1933, Nazi political and economic penetration has made great strides in this region.

## YUGOSLAVIA

Yugoslavia was formed in 1918 through the union of pre-war Serbia and the southern provinces of former Austria-Hungary. For eighteen years—until 1936—the foreign policy of the new country was based on friendship with France and alliance with Czechoslovakia and Rumania in the Little Entente.<sup>1a</sup> Yet in 1936 the government of

1. These resources include the rich soil of the Rumanian, Hungarian and northern Yugoslav plains; the timber of the Carpathian mountains and the Balkans; the cattle, sheep and hogs of all three countries; the coal, iron ore, copper, manganese, lead, zinc, antimony, marble and silver of Yugoslavia and Bulgaria; the bauxite of Yugoslavia and Hungary, indispensable for the production of aluminum, necessary in the construction of airplanes and ships; the oil resources of Rumania; the semi-tropical products, opium-producing poppy flowers, tobacco, and the cotton and rice possibilities of Dalmatia, Macedonia and Thrace; the fodder plants, sugar beet, soya beans and other industrial crops of Bulgaria and Rumania; and the unlimited electric power of mountain rivers and waterfalls. Cf. H. Gross, *Suedosteuroopa* (Leipzig, 1937); also Otto Sarnow, *Deutschland-Suedosteuroopa*, Der Wirtschafts-Ring, 1 Heft 11. Jahrgang, Berlin, January 7, 1938. J. Winschuh, *Deutsche Allgemeine Zeitung*, April 24, 1938; Gerhard Schacher, *Germany Pushes South-East* (London, Hurst & Blackett, 1937).

1a. The main objectives of this alliance, concluded in 1921, were to maintain the post-war *status quo* against Hungary and to prevent restoration of the Hapsburgs in Vienna which, it was feared, might mark the beginning of a new German expansion in southeastern Europe.

Premier Stoyadinovich, under the regency of Prince Paul, embarked on a course generally considered as pro-German and pro-Italian. The clue to this change in foreign policy must be sought in the internal situation of Yugoslavia.

Out of the total population of 14 million, nearly 12 million are composed of three closely related Slavic nations: Serbs (about 6.5 million), Croats (approximately 4 million), and Slovenes (over 1 million). The Serbs are Greek-Orthodox; the Croats and Slovenes, Roman Catholic. In Bosnia there are some 800,000 Moslems who are of Slavic origin and consider themselves partly Serbs, partly Croats, and partly "Yugoslavs." Along the northern frontier live half a million Germans and close to half a million Hungarians. The rest is made up of Albanians and Turks. The Macedonians are officially counted as Serbs.

Roughly 80 per cent of the population are peasants.<sup>2</sup> Only 32 per cent of holdings are above 12.3 acres—the minimum for existence. More than a million peasants, or nearly 10 per cent, are landless and have to earn their living as migratory seasonal workers.<sup>3</sup> The nearly 80 per cent of the population engaged in agriculture receive only 50 per cent of the national income, while the 11 per cent in industry receive 32 per cent, and the 3 per cent in commerce and banking, 11 per cent.<sup>4</sup> In general, the peasant standard of living is very low.<sup>5</sup>

The country's main political problem is the Croatian demand for self-government. In Austria-Hungary the Croats had enjoyed a certain amount of autonomy, which they feel they lost in the new state. Organized into a powerful Peasant party, they have been in opposition to the Belgrade government since 1918. In 1928 political strife was

2. 11,256,711 according to the census of 1931.

3. D. Lopandich, *Politika* (Belgrade), May 1, 1938.

4. V. Djordjevich, *ibid.*

5. A government report of 1932 estimates the total peasant indebtedness at 6.2 billion dinars (about 120 million dollars).

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intensified to a point where their leader, Stephan Radich, was assassinated at a session of the Belgrade Parliament. On January 6, 1929 the Constitution was abolished, and the dictatorship of King Alexander proclaimed. Following the King's assassination on October 9, 1934 the Regent, Prince Paul, appointed Dr. Stoyadinovich's Cabinet in 1935 to "conciliate" the Croats, but no agreement has as yet been reached. The liberal parties of Serbia joined Dr. Machek, Radich's successor, in the demand for Croatian autonomy.<sup>6</sup> Meanwhile, Premier Stoyadinovich relaxed the rigidity of the former dictatorial régime, but maintained the authoritarian Constitution promulgated by King Alexander in 1931, and other decrees concerning public ballot, censorship, etc.<sup>7</sup>

### *Yugoslav Nazi Parties*

Dr. Stoyadinovich's Cabinet began to alter Yugoslavia's foreign course toward the end of 1936—after the Italian conquest of Ethiopia and the formation of the Rome-Berlin axis. The government defends this new policy on the following grounds:

1. That western democracies had abandoned the cause of the small nations. Therefore, the latter had no choice but to make peace with potential aggressors.
2. That Yugoslavia's participation in the League sanctions against Italy caused great losses to Yugoslav trade; that Yugoslavia, therefore, was compelled to conclude trade agreements with Germany, which have proved more beneficial than economic relations with the West.<sup>8</sup>
3. That by strengthening its ties with Germany and Italy, Yugoslavia is "making new friends while keeping old ones."

Outside of the Cabinet there are only small groups—among the Serbs and the Croats—which favor the new friendship with Germany and Italy.

There are two Serbian-Nazi groups. Insignificant in numbers, they both believe that the Germans will help to build a Greater Serbia. The first is called *Borbashi* (The Fighters). They wear blue shirts, and their leader, M. Hodjera, is not of Serbian, but Czech origin. The second Serbian Nazi group, led by M. Ljotich, is known under

the name of *Zbor* (Reunion). The membership of this organization is estimated at from 10,000 to 50,000. It was recently revealed that this group had received from Germany subsidies totaling two hundred million dinars (about 4 million dollars). These subsidies took two forms—special prices for agricultural products that the Zbor "cooperatives" exported to Germany, and the delivery of vast quantities of German machinery which the Zbor sold without paying for it.<sup>9</sup>

Among the Croats there are also two Nazi groups, numerically unimportant. The first is composed of the Croatian Independents—the followers of Dr. A. Pavelich's *Ustasis* who were accused by the French authorities of having organized the assassination of King Alexander at Marseilles. The second represents a small clique of Catholics around the newspaper *Hrvatska Straza* (The Croatian Guard), disavowed by the Church dignitaries. Both groups now expect the Germans to liberate the Croats from Serbian rule. Large sums of German money have also been spent by Reich agents on the organization of the 500,000 Germans in Yugoslavia along Nazi lines.<sup>10</sup>

### *Trade Relations with Germany*

One of the effects of League sanctions against Italy during the Ethiopian war of 1935-1936 was that Germany took Italy's place in the trade of southeastern Europe, particularly that of Yugoslavia. Steadily increasing during 1936 and 1937, the volume of Yugoslav-German trade reached, after the annexation of Austria, the high point where nearly half of the total Yugoslav exports and imports were monopolized by Germany. In 1932, 23 per cent of Yugoslavia's exports went to Italy, and 13 per cent of its imports came from Italy; by 1937 these figures had shrunk to 9 and 8 per cent respectively.<sup>11</sup> Meanwhile, Yugoslav exports to Germany have risen from 11 per cent in 1932 to 41.5 per cent in 1938, and imports from 18 to 45 per cent.<sup>12</sup>

Germany's trade with Yugoslavia is organized on the basis of the so-called barter and clearing agreements. Yugoslav foodstuffs and raw materials—mainly wheat, meat, fruit, timber—are exchanged directly for German industrial goods. Importers in each country make payments in their own national currency, deposited in a clearing account with the

9. *Ibid.*, May 15, 1938.

10. *Ibid.*

11. "Europe Beyond Germany," *The Economist* (London), May 14, 1938.

12. Figures of the *Privilegovano Izvozno Društvo* (Privileged Export Society; Belgrade), for the first half of 1938.

6. On October 8, 1937 the united Serbian opposition issued with Dr. Machek a manifesto calling for restoration of unrestricted Parliamentary liberties and grant of Croatian autonomy. The same demands were repeated in the communiqué issued on the occasion of Dr. Machek's visit to Belgrade on August 14, 1938, when 50,000 Serbs turned out to greet him. *New York Times*, August 21, 1938.

7. According to this Constitution and other decrees, the legislature is elected by public ballot with all "regional" and "confessional" parties banned; the Cabinet, nominated by the King or the regents, does not have to have a Parliamentary majority.

8. *New York Times*, June 17, 1938.

National Bank. Exporters are reimbursed out of these accounts. If imports fail to equal exports, a balance accumulates which, instead of being paid in cash, is usually liquidated by curtailment of the creditor state's sales to, or the increase of its purchases from, the debtor country.<sup>13-14</sup>

In spite of certain advantages for the limited class of wealthier peasants and other exporters, Yugoslav trade with Germany is sharply criticized, not only by the opposition parties, but also by important economic groups. Although certain Yugoslav commodities are valued on the German market above the world price level,<sup>15</sup> these higher prices are paid by the Reich in the form of manufactured goods which are often of inferior quality or unnecessary to the mass of peasant consumers (toilet articles, mouth organs, radios, etc.).<sup>16</sup>

Germany is unwilling to pay the clearing account balance in cash when its imports exceed its exports. Its "frozen debts" are utilized to force more and more of its exports on the creditor countries.<sup>17</sup> Frequently its clearing-account creditors have to accept currency at a depreciated rate. Early in 1937 the Yugoslav government threatened to cut off all export licenses for Germany until the abnormal clearing balance of about 8 million dollars was reduced by a new clearing agreement.<sup>18</sup>

Germany needs its gold reserve to purchase African copper, North American cotton, Australian wool, Canadian nickel or Swedish iron. Through barter and clearing agreements with Yugoslavia and other southeastern European countries it obtains foodstuffs and raw materials without cash, boosts factory production, and re-sells its surplus of southeastern European stock (grain, tobacco, attar of roses, etc.) on the world exchanges for foreign gold currency.<sup>19</sup> Under this scheme Germany, according to Yugoslav critics, offers high prices for agricultural products, contracts debts, forces the creditors to accept articles which the

debtor finds convenient to get rid of, and imposes payment conditions on its own terms.<sup>20</sup>

The fact that Germany absorbs nearly half of Yugoslavia's exports, while Yugoslavia accounts for only 2.6 per cent of total German imports,<sup>21-22</sup> creates an abnormal economic dependence which some Yugoslavs denounce as a colonial relationship. By economic pressure Germany is in a position to influence the Yugoslav government's foreign and internal policies. Opponents of the Stoyadinovich government have argued that, to avoid German political dictation, Yugoslavia should reduce its economic dependence on Germany by making efforts to conclude trade agreements with the western democracies.

### *Germany and Yugoslav Public Opinion*

The question whether to side with Germany and Italy, or with France and Czechoslovakia, in the European crisis had become a major issue between the government and public opinion in 1938.<sup>23</sup> The Yugoslav democratic opposition—composed of the Croatian Peasant party and the Serbian liberal parties (Democrats, Independent Democrats, Agrarians; and a section of conservatives anachronistically called Radicals)—vigorously demanded the cooperation of the country with western democracies.<sup>24</sup> It charged that Premier Stoyadinovich's sympathies for Germany and Italy were motivated mainly by the need of an "ideological alliance" against domestic democratic opposition.<sup>25</sup>

The government party—composed of Serbian conservatives, Bosnian Moslems, and Slovenian Catholics under the name of "Yugoslav Radical Union"—is an unknown quantity, for it has not yet faced national elections. Its supporters are generally cool toward the Cabinet's pro-German and pro-Italian policy, which is contrary to national traditions. It is difficult to convince the people that either Nazi Germany or Fascist Italy could be Yugoslavia's "friend." Italy has historic claims to the Dalmatian coast. Nazi Germany, it is suspected, intends to re-establish German domination over the Slavs. Except for the government leaders, the numerically small Nazi parties, and people whose financial interests dictate a pro-German orientation, the majority of Yugoslavs, regardless of party affiliations, pressed for return to the "old friends."<sup>26</sup>

13-14. J. C. deWilde, "German Trade Drive in Southeastern Europe," *Foreign Policy Reports*, November 15, 1936.

15. Yugoslav wheat, for instance, was evaluated this summer by the Privileged Export Society at 160 dinars per 100 kilograms, while the world market price was around 110 dinars. Normally, the price of Yugoslav plums in Germany is twice as high as the price of Californian plums.

16. *New York Times*, August 21, 1938.

17. Schacher, *Germany Pushes South-East*, cited, p. 154. Cf. also Brazilian experience.

18. Helen Fisher, "Cross Currents in Danubian Europe," *Foreign Policy Reports*, July 15, 1937. Already, in the middle of 1936, according to the *Financial News*, Bulgaria's frozen claims against Germany had reached 10 million marks; Rumania's, 18 million; Hungary's, 25 million; and Greece's 30 million; so that no less than one-fifth of all frozen debts in Germany fell to the share of these five southeastern European countries. Schacher, *Germany Pushes South-East*, cited, p. 149.

19. Schacher, *Germany Pushes South-East*, cited, pp. 155-56.

20. *Financial News*, April 26, 1938.

21-22. *Nova Rijec* (Zagreb), August 25, 1938.

23. *The Economist*, May 14, 1938.

24. This demand was repeated in the joint communiqué issued on the occasion of Dr. Machek's visit to the Belgrade opposition leaders on August 14, 1938. *New York Times*, August 21, 1938.

25. *New York Times*, August 21, 1938.

26. *Ibid.*, August 21, 1938.



The younger generation, especially, was strongly pro-Czech, pro-French, and anti-German.<sup>27</sup> Slovenia, which now borders on Germany, has been increasingly disturbed since the *Anschluss*.<sup>28-29</sup> The government's ban of all meetings on foreign politics only intensified public resentment.

Most recent reports indicate growing uneasiness in official circles, due to the following factors: fear of imminent German domination of Hungary, which would bring Germany to the northern frontier of Yugoslavia; dissatisfaction of the financial circles around *Narodna Banka* (The National Bank) with the results of the German trade agreements; increasing demands of the German minority in Yugoslavia; growing realization that partition of Czechoslovakia might constitute a model to be later forced on other Central European states composed of different nationalities.

Emphasizing his loyalty to Yugoslavia's "old and new friends," Premier Stoyadinovich remained non-committal in the German-Czechoslovak crisis. In view of the growing anti-German feeling among Yugoslavs,<sup>30-31</sup> he warned Budapest that a Hungarian invasion of Slovakia would compel Yugoslavia to go to war. The Munich agreement, however, leaves Yugoslavia no choice but to intensify its pro-German trend.

## RUMANIA

Out of Rumania's 19 million people, about 4.5 are national minorities: 1.4 million Hungarians (in Transylvania), 800,000 Germans (mostly in Transylvania), 500,000 Ruthenians (in Subcarpathia and Bukovina), 400,000 Bulgars (in Dobrudza), 300,000 Russians (in Bessarabia), 200,000 Turks and Tartars (in Dobrudza), and 900,000 Jews scattered throughout the country.<sup>32</sup>

Rumania, like Yugoslavia, is a preponderantly agrarian country. Wheat, corn, barley and livestock are raised; but timber and oil are important ex-

port items; and there are excellent possibilities for fodder plants.<sup>33</sup> More than 78 per cent of the population are peasants.<sup>34</sup> The majority live on small holdings representing the minimum for existence, or less. Before the agrarian reform, enacted between 1917 and 1921, 42.4 per cent of the land consisted of large estates (247 acres or more), and 57.6 per cent of small holdings. After the reform, the first percentage dropped to 11.2, and the second increased to 88.8.<sup>35</sup> To buy seed and tools, the peasants borrowed money at interest rates of from 30 to 50 per cent and thousands of them, unable to sell the grain, were forced into bankruptcy. The agricultural debt became, *per capita*, the highest in the world.<sup>36</sup>

### *Democratic, Fascist and Conservative Forces*

Rumania has maintained its friendship with France since the World War, as well as its alliance with Yugoslavia and Czechoslovakia in the Little Entente. Its foreign policy, however, has been in a state of flux since 1933, when Nazi Germany renewed its drive in southeastern Europe—oscillating between the Paris and Berlin centers of attraction. Following the elections of January 1938, the short-lived government of Octavian Goga seemed on the point of formally joining the Rome-Berlin axis. On February 11 King Carol abolished Parliament, banned all parties, and proclaimed his dictatorship. The present government is responsible to him personally. It is headed by the Patriarch of the Rumanian Orthodox Church, Dr. Cristea, and composed of the generals of the army and several former Premiers of the National Liberal party. Internally, its task is to uphold the King's supreme rule—both against the democratic and the fascist elements. In foreign affairs, it has shown resistance to German influence. Consummation of the *Anschluss* promptly restored the pro-French orientation. A pro-British tendency developed in the summer of 1938.

The main democratic element in Rumania is represented by the National Peasant party (composed of Maniu's former National Transylvanian party and Michalache's former Peasant party). This party advocates Parliamentary democracy and the crea-

27. "Europe Beyond Germany," *The Economist*, May 14, 1938.

28-29. Since the annexation of Austria, Germans have bought a considerable number of properties in Slovene districts. In Ljubljana and Maribor, which have become centers of Nazi agitation, Father Koroshetz, the Slovene Minister of Interior at Belgrade, has been compelled to make several arrests. His action, however, was hampered by the Cabinet, said to be under the influence of the German Consul General who is the Nazi *Gauleiter* for Yugoslavia. The Catholic Slovenes, hostile to German expansion, are not strong enough to oppose it alone. *The Economist*, June 11, 1938.

30-31. In the last few months a large number of Yugoslav active and reserve officers have gone to the Czechoslovak legation in Belgrade, offering to enlist in the Czechoslovak army in case of war with Germany. *New York Times*, September 13, 1938.

32. J. Chmelar, *National Minorities in Central Europe* (Prague, 1937), pp. 37-40. After Czechoslovakia (5 million out of 15) and Poland (10 million out of 31), Rumania has the largest minority percentage in Europe (4.5 million out of 19).

33. Gross, *Suedosteuropa*, cited, pp. 84-86, 175-76. Oil alone accounts for more than 50 per cent of Rumanian exports. *Ibid.*, p. 176.

34. *Ibid.*, p. 43.

35. Leo Pasvolksy, *Economic Nationalism of the Danubian States* (New York, Macmillan, 1928), p. 420.

36. Gross (*Suedosteuropa*, cited, p. 119) gives the figure of the total peasant indebtedness in Rumania in 1932 as 52.3 billion lei (nearly 400 million dollars). John Gunther, *Inside Europe* (New York, Harpers, 1937), p. 339.

tion of the so-called "Peasant State"; cooperative organization of peasant economy in production, sale, and credit; subordination of industry to agriculture; and cooperative education of the peasantry.<sup>37</sup> Firmly entrenched in the villages, this party is the chief ideological opponent of fascism and other forms of authoritarianism in Rumania. It supported Titulescu's policy of alliance with France and the Little Entente, and demanded firm collaboration with the western democracies in the recent crisis over Czechoslovakia. But, owing to its insistence that royal power be kept within constitutional limits, it has been excluded from public affairs since 1932. In January 1938 it polled 20 per cent of the total vote, and came out as the second largest group in spite of the government's electoral pressure. In a manifesto of February 12, its leaders condemned the formation of Dr. Cristea's dictatorial government.

The main fascist group is the "Iron Guard," under the leadership of Corneliu Zelea Codreanu<sup>38</sup> and General C. A. Cantacuzenu. Founded by Codreanu in 1931, this organization was nominally dissolved in 1933, following the assassination of Premier I. Duca on December 19, 1933, but continued its activities under the new name of "All for Country." Its symbol is the swastika, and parts of its platform are a literal translation of the German Nazi party program. It advocates violent anti-Semitism, fascist dictatorship, abolition of all other parties, "training for youth on the German pattern, expulsion of the western democracy of French origin, revolt against the servitude of indebtedness," etc. In foreign politics it urges a close alliance with Germany and Italy. It recruits its adherents not only from the younger generation of the cities, students, civil servants, and officers, but has also penetrated among the peasants, even priests, many of whom are anti-Semitic. In the elections of January 1938 the All for Country party polled 16 per cent of the total vote, and became the third largest political group.

The National Christian party, founded in 1935 by the late Octavian Goga and the now 82-year-old Professor A. Cuza, is also anti-Jewish and authoritarian. It demands *numerus nullum* in the army and public administration, and *numerus clausum*<sup>39</sup> in trade and liberal professions, for Jews and

all national minorities. It is hostile to the "Franco-phil" course, and advocates the *Gleichschaltung* of Rumania's foreign and internal policy with that of the Third Reich. It is against "liberalist democracy," but is also strongly monarchist and proposes to carry out its program through an absolutist royal government.<sup>40-41</sup>

Some Rumanian fascist groups have been heavily financed by Germany. According to a statement made by Dr. Lupu, vice-chairman of the National Peasant party, many million lei were spent on fascist propaganda between 1935 and 1937. Hundreds of newspapers were founded with these funds, and terrorist organizations were provided with large quantities of machine guns and hand grenades.<sup>42-43</sup> A French source alleged that, in 1936 alone, about \$450,000 were distributed by the Berlin Ministry of Propaganda, and the control of eighty Rumanian newspapers secured.<sup>44</sup>

King Carol has on several occasions expressed his personal admiration for Hitler. At home, however, he is in favor of "authoritarianism" only in the form of royal absolutism. The official political creed is that supreme power must be vested in the hands of the King, not in those of the *Fuehrer* of a domestic fascist party. Two authoritarian doctrines thus conflict, and the monarchy represents one of the main obstacles to seizure of power by fascists.

The conservatives, opposed to the National Peasant party's demand for full Parliamentary democracy, are frightened, on the other hand, by fascist "radical" slogans and the prospect of German domination. The National Liberal party—under the leadership of G. Tatarescu and the late I. Duca—has been the Peasant party's main rival in Rumanian politics since the war. Not until the beginning of 1937 did the Tatarescu government take the struggle with the Iron Guard seriously. Even during the elections of January 1938 the All For Country profited by the fact that the Liberal government's full force was used to prevent the Peasant party from winning a victory. The National Liberal party, which controls most of the banks and larger industries, opposes foreign domination over Rumanian financial and commercial enterprises, as well as concessions of oil lands to foreign-owned companies. It advocates the so-called "royal parliamentarism" typical of the Balkan states—that is, royal authority within the Parliamentary system,

37. The "peasant doctrine" is defined as political democracy plus social democracy. W. H. Mallory, *Political Handbook of the World* (New York, Council on Foreign Relations, 1938); *Politics and Political Parties in Rumania* (London, International Reference Library, 1936), pp. 151-54.

38. Son of a railroad watchman, of Polish origin (Zelinsky).

39. *Numerus nullus* means that in a certain trade or profession no positions are allowed to a certain class or race; *numerus clausus*, that only a limited number are allowed.

40-41. *Politics and Political Parties in Rumania*, cited, pp. 174-75; Fisher, "Cross Currents in Danubian Europe," cited; Schacher, *Germany Pushes South-East*, cited, pp. 200-202.

42-43. Schacher, *Germany Pushes South-East*, cited, pp. 105-106.

44. *Ibid.*

with the King as governor, not mere arbitrator.<sup>45-46</sup> At present, Liberal representatives participate in the King's dictatorial government, and pro-French sentiment prevails in their ranks.

The military, ready to support the King's personal rule of any rightist régime favored by him, are also unwilling to bring the country under German influence. While anti-Semitism in a land with nearly a million Jews will remain a breeding-ground for fascist movements, the pro-German orientation may be checked by the fear that, following German demands regarding Czechoslovakia, Rumania's numerous national minorities might some day demand organization in autonomous states or complete separation.

### *New Tendencies in Trade and Foreign Relations*

According to trade figures Rumania is dependent on Germany to the extent of 27 per cent of its exports and 38 per cent of its imports.<sup>47</sup> Germany, however, is probably even more interested in Rumania than in the other southeastern countries, not only because of its grain, livestock and timber, but also its oil wells,<sup>48</sup> possibilities for industrial crops,<sup>49</sup> and strategic position as the bridge to the Soviet Union and Asia Minor.

German ambitions in Rumania conflict with important British interests. One-third of Rumania's oil resources are owned by British companies,<sup>50</sup> and Britain buys altogether two million pounds' worth of oil from Rumania.<sup>51-52</sup> Britain already buys much timber there,<sup>53-54</sup> and is now increasing its wheat purchases;<sup>55</sup> a new clearing agreement is also being negotiated to finance Rumanian purchases of more British goods.<sup>56</sup>

45-46. *Political Handbook of the World*, cited; *Politics and Political Parties in Rumania*, cited, p. 142.

47. W. Hildebrand, "The Austrian Contribution to German Autarchy," *Foreign Affairs*, New York, July, 1938; *The Economist*, May 14, 1938; *Financial News*, April 26, 1938.

48. In 1937 Germany's consumption of gasoline was 2.6 million tons, of which its own wells could not have produced more than 100,000. *The Economist*, May 28, 1938. As for crude oil, German production totaled 54,500 tons in July this year, with the monthly consumption approximating 400,000 tons. *New York Times*, September 1, 1938.

49. The cultivation of soya beans in Bulgaria and Rumania has been extended 120,000 hectares (about 296,000 acres) in four years. Max Hahn, "Agrar-politische Produktionslenkung Zwischen Deutschland und dem Suedosten," *Der Wirtschafts-Ring*, 1 Heft, 11, Jahrgang, Berlin, January 7, 1938.

50. Gunther, *Inside Europe*, cited, p. 352.

51-52. Compared with 3 million pounds' worth purchased from the United States. *Politika*, July 1, 1938.

53-54. It spends 3 million pounds on timber in the United States and one million in Rumania and Yugoslavia.

55. Leading London wheat concerns have arranged a contract to take 400,000 tons of Rumanian wheat—one-third of the exportable surplus—during the next eight or nine months, at a cost of 2 million pounds. *New York Times*, September 1, 1938.

Simultaneously, the attitude of the Rumanian authorities and public opinion had stiffened with regard both to domestic fascism and Germany. The All For Country movement has been energetically suppressed by the Cristea government; Codreanu was sentenced on April 20 to 10 years' imprisonment for preparing a coup and receiving money from Germany—acts denounced as "high treason." Germany's plan to construct the Rhine-Danube canal,<sup>57</sup> build a great port at Vienna, and develop the Danube as a "Reich waterway" carrying a German commercial and military flotilla, has caused much apprehension in Rumania.<sup>58</sup> In a speech delivered to the press on April 7, 1938, the Foreign Minister, M. Comnen, declared that "attachment to France, based on a treaty of friendship and reinforced by the people's grateful affection, is an essential condition of Rumania's security."<sup>59</sup> At the same time the country's leading press (*Lumea Romaneasca*, *Timpul*, *Presentul*, *Universul*) violently assailed Germany's attempts to establish control over Rumania.<sup>60</sup> Even the conservative classes, except for some business men who favor Berlin, wanted to continue to rely on France and, feeling that France alone was not strong enough, strove to win British support. As a result, anti-Semitism has also become quiescent, and Goga's legislation has not been fully executed, although Patriarch Cristea is known for his anti-Semitic feelings. But the Jewish question may be reopened at any time if a new political and economic crisis occurs, and the government may once more make the Jew a scapegoat for its difficulties. In the Czechoslovak crisis the Rumanian and Yugoslav governments were reported to have made it clear that, according to their obligations as members of the Little En-

56. A Board of Trade delegation has been in Bucharest for some time. *New York Times*, August 7, September 1, 1938. Britain has also intensified its economic activities in Turkey. In June 1938, Turkey obtained from Britain a loan of 10 million pounds, payable in 10 years at an interest rate of 5 per cent, and a credit of 6 million pounds to buy war materials in England; also, a clearing arrangement was concluded to stimulate Turkish exports to England. At the same time, the Turkish Foreign Minister declared that Turkey would not again be "England's war enemy." *New York Times*, June 16, 20, 26, 1938; Dr. Max Biehl, *England Wirbt um den Suedosten* (Hamburg, Wirtschafts-Dienst, Heft 28, Neue Folge, XXIII. Jahrgang, July 15, 1938). On October 7, however, Germany counteracted this British move to build a "second line of defense" in Turkey and extended to Turkey a credit of 150 million Reichsmarks for military and other purchases in the Reich. *New York Times*, October 8, 1938.

57. The canal, to be completed by 1945, will cost 750 million Reichsmarks. *New York Times*, May 18, June 12, 1938.

58. *Financial News*, April 27, 1938; *The Economist*, May 14, 1938.

59. France, Ministère des Affaires Etrangères, *Bulletin de la Presse Etrangère*, April 8, 1938.

60. *Ibid.*, May 21, 1938.



tente, they would dispatch troops against Hungary if the latter attacked the Czechs.<sup>61</sup> Rumania might have allowed Soviet airplanes to fly over its territory to the aid of Czechoslovakia, but the passage of Soviet troops across Rumania was very doubtful, unless Rumania itself became involved in the war—or unless Soviet soldiers forced their way through.<sup>62</sup>

The Anglo-French plan of September 18 to cede the Sudetenland to Germany caused great dismay in Rumania.<sup>63</sup> After the Munich agreement of September 29 Rumanian newspapers pointed out that France had broken its pledge, and indicated that a reorientation of Rumania's foreign policy might be necessary.<sup>63a</sup>

## HUNGARY

Nationally, Hungary is far more homogeneous than Rumania or Yugoslavia. The only important national minority is half a million Germans.<sup>64</sup> But the percentage of Jews is slightly higher than in Rumania—about 450,000, or 5.1 per cent, out of a total population of 8,700,000. The agrarian structure prevails: 53 per cent make their living in agriculture, 24 per cent in mining and industry, and 9 per cent in commerce and banking.<sup>65</sup>

Hungary's industrial development did not begin in earnest until the World War.<sup>66</sup> To the traditional sugar industry was added extensive manufacture of textile goods, paper, construction wood, leather, chemical products and machines. Most of these industries are concentrated around Budapest.<sup>67</sup> They are virtually all organized in cartels

under government control. Wages are low, averaging \$200 a year.<sup>68</sup>

Hungarian agriculture still has a feudal character, and maldistribution of land remains the country's greatest internal problem. In 1934 there were 1,228 big estates, covering 29.5 per cent of all land; 10,000 middle-sized estates, covering 18.3 per cent of the land; 840,000 small holders, covering 52.2 per cent. But of the latter, 450,000 were without sufficient land. In addition, there were 700,000 peasants without any landed property. Altogether, the agrarian proletariat numbered three million out of a total agricultural population of 4.5 million.<sup>69</sup>

This social structure determines the political régime. True, Hungary has a Parliament,<sup>70</sup> but the supremacy of the great landowners is secured by a law establishing public ballot for the rural districts.<sup>71</sup> The country has retained the historic title of "kingdom," although there is no king and no dynasty; hence the head of the state, Admiral Horthy, is called "regent."<sup>72</sup>

### *Revisionism and the Wane of Italian Prestige*

Since the World War the central idea of Hungary's foreign policy has been revision of the Treaty of Trianon, with the object of recovering the territories lost in 1918.<sup>73</sup> At the present moment some 2.6 million Hungarians live outside its frontiers: close to 500,000 in Yugoslavia, about 700,000 in Czechoslovakia, and about 1.4 million in Rumania. But while revisionism is an essential plank

61. *New York Times*, September 25, 1938.

62. Early in September Foreign Commissar Litvinoff and Rumanian Foreign Minister Comnen discussed in Geneva the possibility of moving Soviet troops and supplies through Rumania to Czechoslovakia. *New York Times*, September 10, 1938. On September 17 the Rumanian Cabinet and army chiefs debated the question at a special meeting at Bucharest. *Ibid.*, September 18, 1938. Rumania was reported unwilling to permit the passage of Soviet troops and material if France refused to aid Czechoslovakia. *Ibid.*, September 21, 1938.

63. *New York Times*, September 22, 1938. The Nazi press has already announced that Rumania is Germany's next objective. *Ibid.*

63a. *New York Times*, October 2, 1938.

64. Some of the Germans live along the border of former Austria; some are concentrated around Budapest; the rest are scattered throughout the country.

65. General Census of 1930. Cf. also, B. Kovig, "La Politique Sociale en Hongrie," *Nouvelle Revue de Hongrie* (Budapest), January 1938.

66. Post-war industrialization was partly due to the density of the population and the necessity of providing employment for the landless. A. Koermendy-Ekes, "Big Estates in Hungary," *The Hungarian Quarterly*, Spring, 1937; Kovig, "La Politique Sociale en Hongrie," cited.

67. Gross, *Suedosteuropa*, cited, pp. 167-70; *Financial News*, April 27, 1938.

68. The cost of living, however, is about half that in the United States.

69. A. Koermendy-Ekes, "Big Estates in Hungary," cited. Count Eszterhazy's estate alone spreads over 250,000 acres. According to Oscar Jászi ("Feudal Agrarianism in Hungary," *Foreign Affairs*, July 1938), the maximum yearly income of a normal peasant family is from \$70 to \$80; the daily budget for a family member 5 cents. Regarding land distribution in Hungary, cf. also Gross, *Suedosteuropa*, cited, pp. 79-80; *Financial News*, April 27, 1938; *The Economist*, May 14, 1938; *New York Times*, August 25, 1938.

70. The Upper House is composed of the representatives of trades, professions, and the high clergy; 38 seats out of 250 are assigned to the titled aristocracy.

71. That is, for four-fifths of the electoral districts. Tibor Eckhardt, "The Constitutional Evolution of Hungary Since the War," *The Hungarian Quarterly*, Autumn, 1937. There is a new bill abolishing public ballot, but it will not be put into effect before 1940, if at all.

72. For some aristocratic traits of the Hungarian political system, cf. Georges Otlik, "La Couronne de St. Etienne et la Constitution Hongroise," *Nouvelle Revue de Hongrie*, August 1938, p. 109.

73. The treaty took away 68.5 per cent of Hungary's pre-war territory, and 58.2 per cent of its pre-war population. But of the lost people, nearly two-thirds were non-Hungarians. Cf. D. Elekes, "La Situation de la Hongrie Avant et Après la Guerre Dans le Système des Principales Données Statistiques," *Journal de la Société Hongroise de Statistique*, Budapest, 1929, No. 1-2, pp. 337, 345-48.



in the platform of every Hungarian political group, its definition is not always the same. In the ruling aristocratic circles it is conceived as the re-incorporation of all lands which once belonged to the "Crown of St. Stephen," whether they are inhabited by Hungarians or other nationalities.

After the war, Fascist Italy was Hungary's main champion in foreign politics. This collaboration was climaxed on March 17, 1934 when Italy, Austria and Hungary signed the Rome Protocols.<sup>73a</sup> The protocols provided for trade privileges between the three countries and prohibited any agreement between either of the two small states and a third party without consulting Rome. By the latter stipulation Italy intended to prevent the expansion of Nazi Germany in Central Europe.

Since 1935, however, Italy's prestige has been on the wane. After the annexation of Austria, the Rome bloc dwindled to two partners, and German influence and fear of Nazi domination became prevalent in Budapest. But close diplomatic relations, evidenced by mutual visits of statesmen, have been maintained with Rome. Following the Anglo-British plan of September 18 for cession of the Sudeten territory to Germany, Signor Mussolini, apparently in an effort to regain his prestige in Hungary, demanded in a series of speeches the same solution for the Hungarians in Slovakia.<sup>74</sup> At the Munich conference it was understood that Germany and Italy would join an international guarantee of Czechoslovakia's new borders only after the minority "claims" of Poland and Hungary had been adjusted.<sup>74a</sup>

### *Nazi Forces in Hungary*

The government of Premier Bela Imredy is supported mainly by the National Union party, representing the interests of the estate owners, the upper middle class, well-to-do peasants, and part of the Catholic and Protestant clergy. Count Zichy's United Christian party is Catholic-clerical, with "legitimist" (Hapsburg-royalist) leanings, and represents the conservative element of the middle class and part of the aristocracy. Raszay's Liberals draw their support from the moderately democratic section of the middle class, intellectuals, and some Jews. The Socialists are numerous among the industrial workers, but Hungary has no large peasant party. Tibor Eckhardt's Small Farmers' party, advocating "national agrarian democracy," is supported by the lower middle class and small peasants. Except for its left wing, headed by M. Ma-

tolczy, it is controlled in practice by the great landowners.<sup>75</sup> Thus the largest class, the agrarian proletariat, is unorganized and unrepresented in Parliament.<sup>76</sup>

Aside from the German minority, which is organized along Nazi lines by Reich agents, several strong Hungarian Nazi groups have developed in recent years. The first was formed in 1932 by Zs. Boeszoermény. Through amalgamations with similar organizations and schisms, there remained three groups which, in 1934, united under Count Alexander Festetics. They wear green shirts, use the Hitler salute, and have the so-called Arrow Cross as their symbol. Meanwhile, new Nazi parties arose. At present there are three Nazi bodies in Hungary, headed by Festetics, Rainiss, and Major F. Szalasi. The first is active among the three million landless peasants, the second works among the state officials, and the third is busy with the younger officers of the army. Major Szalasi is the most important of them all, and the newest trend is to unite all Nazi groups in the "Hungarian National Front" under his leadership.<sup>77</sup> The total number of organized members of all these groups in 1937 was estimated at some 100,000, all military-trained men. They have ample means at their disposal, are in close contact with some high police and army circles, and have "cells" among state dignitaries in several ministries. This movement counts for support on the suffering lower middle class, the landless peasant and the young city people who cannot immediately find those good positions to which they think they have a right. It demands restoration of the thousand-year-old Greater Hungary, racial purity, abolition of the existing Parliament, liberation from the servitude of indebtedness, etc. Its propaganda is successful because it concentrates on the three most popular slogans in Hungarian politics: revision of frontiers, elimination of Jews from finance and business, and redistribution of land.<sup>78</sup>

### *Paradox of the Anti-Nazi Pro-German Course*

The rôle of obstacle to the growth of native Nazism played by the monarchy in Rumania is played in Hungary by the feudal class. The régime of the

75. But it has adopted a genuine land reform program drawn up by M. Matolczy. Koermendy-Ekes, "Big Estates in Hungary," cited.

76. *Political Handbook of the World*, cited; Jászi, "Feudal Agrarianism in Hungary," cited.

77. On June 3 he was sentenced to three years' imprisonment. *New York Times*, June 4, 1938.

78. Jászi, "Feudal Agrarianism in Hungary," cited; Schacher, *Germany Pushes South-East*, cited, pp. 205-209; *The Economist*, May 14, 1938; *New York Times*, May 15, June 1, 1938; *The Times*, June 21, 1938.

73a. Fisher, "Cross Currents in Danubian Europe," cited.

74. *New York Times*, September 25, 1938.

74a. *New York Times*, September 30, 1938.

late Premier Goemboes, who was a determined pro-German with dictatorial ambitions, would have probably ended in a Nazi dictatorship. Nazi propaganda, which had subsided for some time under Daranyi's Cabinet, became again so aggressive that a coup was considered near. Then M. Imredy's Cabinet was set up on May 14, 1938, to curb the Nazi drive at home and establish close friendship with Nazi Germany. Thus Hungary has a government which is in the paradoxical position of attempting to be both anti-Nazi and pro-German.<sup>79</sup>

The ruling great landowners are traditionally sympathetic to Germany because of the pre-war and war alliances between the two countries, and hope for German help in the recovery of lost Hungarian territories. At the same time, they are afraid that a Nazi régime would bring the expropriation of large estates and the political liquidation of the nobility as a ruling class. On May 14, 1938 Premier Imredy emphasized common "war memories" with Germany, but warned both the bolsheviks and the "extreme rightists."<sup>80</sup> In a speech delivered in Parliament on June 16, 1938, he declared that his government is opposed to any "just distribution of land which would hamper the agricultural production."<sup>81</sup> A former president of the National Bank, he is a conservative Catholic and an enemy of Nazis. E. Racz, the War Minister, is pro-German, but also anti-Nazi.<sup>82</sup> Regent Horthy is closely connected with feudal circles.<sup>83</sup> In a radio speech given on April 3, 1938, he praised friendship with Germany, but admonished the Hungarian Nazis and condemned their agitation for radical land reform.<sup>84</sup> It remains to be seen whether the "drastic land reform" that Premier Imredy unexpectedly announced on September 4, after his return from a visit to Germany, will be really carried out, or was merely a campaign move to "steal the Nazi thunder."<sup>85-86</sup> At any rate, the visit paid by Horthy, Imredy and Foreign Minister Kanya to Hitler on August 20-28 during which the "brotherhood in arms" was again eulogized, served the purpose of strengthening the régime at the expense of domestic Nazis.<sup>87</sup>

A considerable part of the peasantry is opposed to Nazi propaganda, but has neither leadership nor organization. Tibor Eckhardt, of the Small Farmers' party, is pro-German and, like the Nazis,

favors land reform, but opposes the Nazis on the issue of Parliamentary democracy.<sup>88</sup> The Socialists are also anti-Nazi. So is the Kossuth party, although but weakly represented in Parliament. Business circles, largely Jewish, are also afraid of Nazi rule in Hungary.

Generally, Hungarians look on Germany with both hope and fear. They hope, with its collaboration, to achieve the longed-for revision of frontiers, but fear impairment of their independence. The *Anschluss* produced a severe shock in Hungary, where everybody is apprehensive of Greater Germany's overwhelming strength. The visit to Italy of Imredy and Kanya last July, preceding that to Germany, was interpreted as a desire to strengthen ties with Rome in this delicate situation.<sup>89</sup>

The economic effects of German expansion and the domestic Nazi drive have already had serious repercussions. After the *Anschluss*, Hungary's trade became almost as dependent on Germany as that of Yugoslavia: 41 per cent of its exports and 44 per cent of its imports are monopolized by Germany. Agricultural produce is the main export item, of which Germany takes 60 to 75 per cent. It pays a higher price than that fixed by the world market, but goes into debt for it and forces on Hungary its industrial goods which, except for armaments, are often not wanted (razors, thermometers, etc.).<sup>90</sup> Although a number of Viennese concerns transferred their quarters to Budapest after the *Anschluss*, Hungarian capital, mostly in Jewish hands, continues to flee abroad.<sup>91</sup>

### *The Jewish Question*

The Jewish question is becoming increasingly difficult. Legally, Jews are not regarded as a national minority. A Supreme Court decision defines them as Magyars of Israelite religion, which means that they cannot claim protection under the national minorities treaties. About one per cent of Hungarians can be classed as wealthy, and more than half of them are Jewish, although the mass of Jews are poor. According to the census of 1930, the Jews represent 45 per cent of the people engaged in trade and banking, 46 per cent in industry, 49.2 per cent of the lawyers, and 34.4 per cent of the physicians.<sup>92</sup> The reason for this situation is

79. *New York Times*, May 22, 1938.

80. *Ibid.*, May 15, 1938.

81. *Bulletin de la Presse Etrangère*, June 17, 1938.

82. *New York Times*, May 22, 1938.

83. *Ibid.*, August 22, 1938.

84. *Ibid.*, April 4, 1938.

85-86. *Ibid.*, September 11, 1938.

87. *Ibid.*, August 22, 25, 1938.

88. Count Bethlen opposes T. Eckhardt's demand for Parliamentary democracy, but is also against the Nazis' demand for land reform. *Ibid.*, May 22, 1938.

89. *Ibid.*, August 25, 1938.

90. Hildebrand, "The Austrian Contribution to German Autarchy," cited; *Financial News*, April 26, 27, 1938; *The Economist*, May 14, 1938; *New York Times*, June 1, 1938.

91. *New York Times*, June 1, 1938.

92. L. Ottlik, "The Hungarian Jewish Law," *The Hungarian Quarterly*, Autumn, 1938.

that since 1867 the industrialization and commercialization of Hungary has been left to the Jews. The traditionally proud aristocratic Magyar families looked on trade, manufacture and banking as occupations unfit for their sons. Consequently, today the Jews are predominant in industry and finance.<sup>93</sup>

On May 16 the Imredy government passed a *numerus clausus* limiting to 20 per cent the number of Jews in any business, industry or liberal profession; only those who fought for Hungary in the World War or were baptized before 1919 are exempted. This is the so-called "20-per-cent anti-Semitism," considered necessary to stop 100-per-cent Nazi anti-Semitism. It is expected that 16,000 Jews, plus their families will be affected by this law.<sup>94</sup> The Nazis, however, continue to demand the application of the German Nuremberg principles<sup>95</sup> and the "grandfather clause."

The Jewish leaders wish to move some 5,000 Jews out of Hungary. It is probable that the wealthier elements will leave the country, while the lower class Jews will only sink deeper into poverty.

#### *Hungarian Tactics in the Czechoslovak Crisis*

Since 1936 Germany has tried to turn Hungarian revisionism away from Rumania and Yugoslavia, whose collaboration Berlin wants to secure, and to direct it against Czechoslovakia. Although efforts to bring about a formal rapprochement between Hungary, Yugoslavia and Rumania constantly failed, Berlin at times succeeded in rousing Hungarian revisionist resentment against Prague to fever pitch. Leading Hungarian journals have published ferocious anti-Czech columns in the otherwise controlled press. The late Premier Goemboes, in particular, seemed to have intended to seize Slovakia should Germany go to war against Czechoslovakia. But other political leaders—Imredy, Kanya, Count Bethlen, Rassay, Eckhardt—apparently did not share that plan.<sup>96</sup> The initial intention of the present government to remain aloof in case of a German-Czech war was dictated by fear of a Yugoslav-Rumanian attack on Hungary.<sup>97-98</sup>

At the same time, in expectation of a conflict in Central Europe, Prague and Bucharest tried to

improve their relations with Budapest. The conference of the Little Entente held at Bled, Yugoslavia, on August 21-23, 1938, issued a communiqué recognizing Hungary's right to re-arm and offering it a non-aggression pact. No understanding on minorities, however, was reached.<sup>99</sup> Premier Imredy declared that recognition of the "rights" of Hungarian minorities in Czechoslovakia, Rumania and Yugoslavia is the necessary condition for all other agreements. He apparently did not want to reach any accord until the Sudeten problem was solved, believing that he would then obtain better terms.<sup>100</sup>

Following the Munich agreement, the Budapest government in a note to Prague on October 4 demanded immediate occupation of two Slovakian border zones and proposed a conference for the cession of other districts inhabited by Hungarians.<sup>101</sup> Propaganda—supported by the Polish press—has also been launched for the return to Hungary of Carpatho-Ruthenia, with the aim of establishing a common frontier with Poland.<sup>102</sup> This situation may have important developments in view of the promise made at Munich by Britain and France to guarantee the borders of Czechoslovakia after the cession of Sudetenland.<sup>103</sup>

#### CONCLUSION

The annexation of Austria meant much more to Germany than the mere incorporation of 6.7 million "blood brethren." First, it greatly increased the trade dependence of southeastern Europe on the Reich.<sup>104</sup> Second, it placed Germany in a strategic

99. Rumania has a nationality statute of rather theoretical value, published on August 4, 1938. On August 31, 1938 the Bucharest government issued an additional decree granting educational privileges to Hungarian and German minorities. *New York Times*, September 1, 1938.

100. Cf. *New York Times*, May 7, 15; August 21, 24, 25, 27; September 1, 1938.

101. *New York Times*, October 5, 1938.

102. *Ibid.*

103. On October 4 Sir Thomas Inskip, Minister for the Co-ordination of Defense, declared in the House of Commons that although there is still no formal treaty of guarantee, Britain feels under moral obligation to Czechoslovakia to regard the guarantee as already existing. *Ibid.* Poland, however, obtained the Teschen district by threat of force three days before this declaration was made.

104. The three countries, plus Bulgaria and Greece, send 37 per cent of their exports to Greater Germany and take from it 42 per cent of their imports, 90 per cent of which are manufactured goods. Germany, on the other hand, depends on them for 14 per cent of its imports and 11 per cent of its exports. The share of France, Britain and the United States together in the imports of these countries is only 17 per cent, and in exports, 19 per cent. Even Italy is now dependent on Germany for nearly one-quarter of its foreign trade—or four or five times more than Germany's is on Italy. *The Economist*, May 14, 1938; *Financial News*, April 26, 1938. The high import figure from Germany is due to the fact that the Reich pays its clearing debts by forcing more goods on its creditors.

93. *The Economist*, May 14, 1938.

94. E. Mikecz, "La Loi Juive," *Nouvelle Revue de Hongrie*, July 1938.

95. The so-called "Nuremberg Laws," promulgated on September 15, 1935, deprived the Jews of Germany of citizenship and of political rights, forbade them to marry persons of "German or racially-related blood," and declared extra-marital relations between Jews and such persons a crime.

96. *The Economist*, May 14, 1938.

97-98. Hungarian invasion of Slovakia is the joint *casus belli* explicitly specified in the Little Entente pact.

position to control European railway communications between the Adriatic and the Baltic, as well as between France and the Balkans.<sup>105</sup> Third, it opened the door to command of a self-sufficient area extending from the Alps to the Black Sea and providing resources which may strengthen Germany for a conflict with the western powers.<sup>106</sup> Nazi economists believe that a blockade, like that applied by the British during the World War, would prove ineffectual in the future.<sup>107</sup>

Economically, Germany wants to organize southeastern Europe on the basis of the so-called *Grossraumwirtschaft* (big regional economy),<sup>108</sup> that is, as a sort of colonial "German economy system" where each state would be tied to Germany by preferential tariffs and would adjust its economy in such a way as to supply the needs of the Reich.<sup>109</sup>

105. *Financial News*, April 26, 1938.

106. *The Economist*, May 14, 1938; *Financial News*, April 27, 1938.

107. *Manchester Guardian*, June 21, 1938.

108. deWilde, "German Trade Drive in Southeastern Europe," cited.

109. This "adjustment," technically called *Ausgleich, Ergänzungs politik* or *Produktionslenkung*, would consist chiefly in raising fodder plants and industrial crops (Bulgaria and Rumania) and in suppressing industries which competed with those of Germany (Hungary). Sarnow, *Deutschland-Suedosteuropa*, cited; Hahn, "Agrarpolitische Produktionslenkung Zwischen Deutschland und dem Suedosten," cited; Gross, *Suedosteuropa*, cited, p. 4.

This economic domination might have been prevented if Britain and France had made timely agreements with the countries of southeastern Europe, extending credits to them and purchasing a larger part of their produce. The new British economic policy in Turkey and Rumania had been already denounced in the Nazi press as the "economic encirclement" of Germany.<sup>110</sup>

Since the dismemberment of Czechoslovakia at Munich on September 29, however, serious resistance is hardly possible against the creation of a German-ruled empire in southeastern Europe. The small countries of this region, no longer able to count on the support of the western powers for an alliance against Germany, could lean only on the U.S.S.R. Such a course, it is feared, would only give a pretext for more violent German aggression in order to "save Europe from Bolshevism." The indications are that the new trend of countries in Eastern Europe will be peaceful submission to Berlin, thus hastening the process leading to a final accounting between Germany and the western powers. Germany, however, may soon be confronted by the conflicting claims of many small nations and the necessity to suppress their fierce feeling of independence. Peace would then have to be maintained by force, and the whole area would perpetuate its reputation as the trouble spot of Europe.

110. Dr. M. Biehl, *England Wirbt um den Suedosten*, cited.

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